

BEFORE THE BOARD OF ENVIRONMENTAL REVIEW  
OF THE STATE OF MONTANA

In the matter of the	)	NOTICE OF AMENDMENT AND
amendment of ARM 17.20.201,	)	REPEAL
17.20.202, 17.20.207,	)	
17.20.301, 17.20.602,	)	
17.20.603, 17.20.606,	)	(MAJOR FACILITY SITING
17.20.607, 17.20.804,	)	ACT)
17.20.807, 17.20.815,	)	
17.20.818, 17.20.901,	)	
17.20.907, 17.20.920 through	)	
17.20.924, 17.20.928,	)	
17.20.929, 17.20.1301,	)	
17.20.1302, 17.20.1304,	)	
17.20.1305, 17.20.1311,	)	
17.20.1426, 17.20.1604,	)	
17.20.1606, 17.20.1607,	)	
17.20.1803, 17.20.1804,	)	
17.20.1901 and 17.20.1902 and	)	
the repeal of 17.20.1427	)	
through 17.20.1431,	)	
17.20.1434 through	)	
17.20.1440, and 17.20.1444	)	
through 17.20.1447 pertaining)	)	
to the Montana Major Facility)	)	
Siting Act	)	

TO: All Concerned Persons

1. On October 21, 2004, the Board of Environmental Review published MAR Notice No. 17-218 regarding a notice of public hearing on the proposed amendment and repeal of the above-stated rules at page 2459, 2004 Montana Administrative Register, issue number 20.

2. With the exception of the change in proposed Circular MFSA-2 noted in response to comment number 9 below, the Board has amended and repealed the rules exactly as proposed.

3. The following comments were received and appear with the Board's responses:

ARM 17.20.818(4) Linear Facilities, Evaluation of Economic Costs and Benefits

COMMENT NO. 1: This rule needs to be more explicit as to what counts as a double benefit and non-monetary benefits.

Montana Administrative Register 17-218

RESPONSE: The Department utilizes standard economic analysis practices to determine what constitutes "double benefits" and "non-monetary benefits." The benefit to the applicant of building a linear facility is the profit the applicant expects to make over the life of the facility (this includes the case where a linear facility links the applicant's generation plant to the regional grid). The benefits of a linear facility to society include improvements to the functioning of the regional transmission system (as a result of the facility) enjoyed by the customers of that system, jobs created, income created, tax revenue created, other direct contributions to the local community, and any environmental benefits that may occur from the new facility. The societal benefits of a linear facility may also include any societal benefits from a generation plant that could only be built and operated because the proposed line connects it to the grid. Secondary economic effects to local businesses and the wider local economy of a linear facility may also be included, but they should be separated out as indirect or secondary benefits. The use of economic multipliers is generally discouraged for both economic benefits and costs. If they are used, however, then the applicant should be careful to explain what the multipliers are and how they were derived.

Sometimes applicants will sum up both their expected total revenue from the project and the expected societal benefits from a project to come up with a total benefit of the project. Doing so is double counting. The societal benefits of jobs, income, and tax revenue come out of a company's total revenue as a cost to the company--not as a separate benefit from total revenue. Thus, expected total revenues to the applicant and total societal benefits should not be added together as a total benefit. The easiest way to avoid this is to list and discuss the expected societal benefits of the project, and then separately list any expected net benefits to the applicant such as profit (revenues minus costs) or return on investment. Expected total revenues to the applicant (or total economic output) from the facility should be left out of this rule.

Non-monetary benefits from a linear facility are those benefits for which it is very difficult or impossible to assign a monetary value. The most common examples include environmental benefits from the facility (such as improving a viewshed by tearing down an old and unattractive line), improving safety, and improving the reliability of the regional transmission system. While it may be possible to estimate monetary values for these benefits, it is often beyond the scope of a MFSA application. However, these

benefits still need to be listed and discussed, even if no monetary value can be assigned to them (for example, the applicant can discuss the expected magnitude of a non-monetary benefit without estimating a monetary amount).

Because these comments outline generally accepted practices for economic analysis, we are not adding any rule language or rule changes.

COMMENT NO. 2: This section could be interpreted many different ways. Standard economic practices for cost/benefit comparative analysis can become complicated, depending on the economic model used.

RESPONSE: Generally accepted practices for economic analysis do not necessarily require the use of an economic model. Benefit-cost analysis, for example, is a tool that is often used in economic analysis that does not require any formal modeling. The information required in ARM 17.20.818 needs to be thorough enough to compare all project alternatives on an economic basis as outlined in 75-20-301(1)(c), MCA. It also needs to be thorough enough to estimate benefits from a proposed linear facility to the applicant and state, and to estimate the economic effects of the proposed facility as outlined in 75-20-301(2)(b)(c), MCA.

Oftentimes, a narrative listing the estimated costs and benefits of the facility, and giving some detail regarding their magnitude and estimated value will suffice. A table summarizing these results can help as well. In the narrative, an applicant can provide monetary cost and benefit numbers of a particular linear project, and then supply a description that supports those numbers. The information provided should also include non-monetary costs and benefits. Such efforts are often adequate to satisfy the requirements of ARM 17.20.818. Packaged economic models such as IMPLAN or REMI are not required under this rule, although they may be used if the applicant deems them appropriate. Simple benefit-cost analysis typically suffices. Because the department will accept a range of analyses more complicated than this, a rule change is not anticipated to address this comment.

ARM 17.20.1607(1)(a)(i) Minimum Impact Standard

COMMENT NO. 3: When alternatives include energy conservation, alternative transmission technologies, alternative levels of transmission reliability, etc., the range of research and analysis to prove that the net present value of costs is lower for the proposed facility than for other available alternatives is difficult. The number of economic models combined with reliability studies is

problematic. Quantifiable environmental impacts are extremely difficult to appraise.

RESPONSE: This comment is beyond the scope of this proposed rulemaking. The Board did not propose any substantive amendment to ARM 17.20.1607(1)(a)(i).

Circular MFSA-2, Section 3.4(7) Linear Facilities, Overview Survey, Environmental Information

COMMENT NO. 4: Information requirements for socioeconomics, demographics, construction work forces and local economics are not pertinent or necessary for siting a linear facility. It is not apparent how these types of information are to be used to prioritize alternatives and to select a preferred alternative.

RESPONSE: Information required in section 3.4(7)(a) through (h) concerning socioeconomics is necessary to support the Department's findings under 75-20-301 and 75-20-303, MCA. One of these determinations and findings required by 75-20-301, MCA, for a proposed facility is the nature of the probable environmental impact of the proposed facility. A second determination and finding required is that the approved facility minimizes adverse environmental impact.

For some transmission lines, there may be little difference between siting alternatives related to socioeconomics, construction work force and local economies. Proposed rule language in section 3.7(5) notes that an application "must specify any economic, social or public or private service characteristics for which there are not significant differences in impacts among the alternative facility locations."

Information pertaining to socioeconomics, construction work force and local economies is necessary for impact disclosure and determining whether mitigation would be needed to support a finding of minimum adverse impact. An example of mitigation addressing impacts on public and private services would be the need for additional temporary housing to support a work force in a rural Montana county where existing accommodations are unavailable.

An applicant should use existing information sources to the extent possible when compiling information to assess socioeconomic impacts. Because the department finds that this information is necessary, no change to the proposed rule is anticipated in response to this comment.

Circular MFSA-2, Section 3.4(8) Linear Facilities, Overview Survey, Environmental Information

COMMENT NO. 5: It appears what the state is requiring is a report that describes the results of the Community Participation Plan or Scoping, including identification of alternatives, mitigation measures, and resources that would be impacted as identified by the public.

RESPONSE: The proposed section does not require a report describing the results of a "Community Participation Plan or Scoping." Instead, the proposed section requires that, if scoping or a public meeting results in comments, the applicant must summarize or characterize those comments.

The proposed section also requires the applicant to characterize the nature and magnitude of comments, if any, received from representative groups, local service providers, and public officials. Finally, the applicant must identify alternative locations, mitigation measures, and potential resource impacts raised by the public. This information helps support the Department's findings under 75-20-301 and 75-20-303, MCA. No change to the proposed rule is anticipated in response to this comment.

Circular MFSA-2, Section 3.7(2), (4) and (5) Linear Facilities, Baseline Data Requirements and Impact Assessment

COMMENT NO. 6: The socioeconomic data required in the application does not appear to be relevant to the siting of a linear facility. A detailed assessment needed to address this section would take much research and statistical analysis of sociological behaviors.

RESPONSE: See Response to Comment No. 4.

COMMENT NO. 7: Section 3.7 baseline data requirements and impact assessment says much of the same social and environmental requirements over again from the previous section.

RESPONSE: The alternative siting study is a tiered screening process that utilizes information collected at each level of screening to help identify alternative facility locations. Information from previous screening analyses is incorporated as appropriate into successive steps. In proposed Circular MFSA-2, information is repeated to avoid overuse of cross-references and make the Circular more readable. Previous applicants have commented that current rules were difficult to use because of excessive use of cross-references. No change to the proposed rule is anticipated in response to this comment.

General comments

COMMENT NO. 8: It would be helpful if language could be developed that referenced or encourages the use of existing corridors as preferred routing options.

RESPONSE: The Department notes that language proposed in section 3.1(1)(b) of Circular MFSA-2 specifies preferred location criteria for an electric transmission line where, among other things, the facility would utilize or parallel existing utility and/or transportation corridors. No change to the proposed rule is anticipated in response to this comment.

Proposed Revision to Circular MFSA-2

COMMENT NO. 9: An incorrect cross-reference was provided in proposed Circular MFSA-2. In text below as shown on page 26 of the Circular, "Section 3.4(5)" should be changed to "Section 3.4(7)" to provide the correct cross-reference.

RESPONSE: The Circular, at page 26, has been amended to reflect the correct cross-reference as shown below:

(5) An application must contain an assessment of social impacts, if any, and any important impacts of the facility on the economy and on public and private services for an impact zone that encompasses the area potentially affected by each of the alternative facility locations, based on the information required by Section 3.4(7).

Reviewed by:

BOARD OF ENVIRONMENTAL REVIEW

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JOHN F. NORTH  
Rule Reviewer

By:

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JOSEPH W. RUSSELL, M.P.H.  
Chairman

Certified to the Secretary of State, \_\_\_\_\_.